

## **STOGUMBER SHOP**

### **BUSINESS PLAN**

#### **1. Introduction**

In December 2022, the owners of Stogumber Shop announced that they were retiring and had given notice to the Post Office to terminate on 31 March 2023. On 16 January 2023 a village meeting was held and organised by Stogumber Parish Council. The meeting was attended by over 100 people, and it was agreed to establish a Community Benefit Society to take over the running of the shop. On 3 April 2023, the community took over the running of the shop, having set up a CBS, agreed an interim lease (pending a purchase) and arranged for the Post Office to continue with the previous owner remaining the titular Postmaster - the CBS took over the Post Office formally in October 2023. At the village meeting, Lance Moir as Chair of the CBS set out three phases to an initial plan. The CBS was incorporated as Stogumber Community Village Shop Limited ('SCVS').

1. The village needed to show it could operate the shop with volunteers profitably
2. A decision would be made on the eventual location of the shop within Stogumber
3. Once a location had been established, a full business and funding plan would be prepared.

At the village meeting, over 50 individuals volunteered to help with the shop in a variety of roles and over 30 made in principle commitments to provide funding at a future date.

As we approach the anniversary of the community taking over the shop, it has been shown that there is enthusiasm to continue with a shop operated largely by volunteers and that this can be done profitably. However the shop remains at risk of closure without further funding due to the following:

- Annual rent of £6000
- The need to relay the shop to make it more attractive to customers
- The need to invest in systems to improve stock ordering and buying margin
- The rental basis was only an interim solution to allow the new CBS to raise capital to buy the site- otherwise the site would close.

Having considered the possible locations and had structural surveys prepared, the steering group has concluded that there are too many risks with the current location and the state of the property will require ongoing maintenance. This maintenance will be difficult as it is a large site and the only access to the upstairs and the rear of the property is through the shop. Therefore negotiations have taken place to acquire the premises next to the shop (No 4 High Street). This has the advantage of being a smaller site. However substantial work will be needed to

convert the property into a shop (it is currently residential but was previously a shop) and to provide adequate store rooms. A pre planning application has been made and a very satisfactory response obtained. Therefore this plan considers acquiring No 4 High Street and converting it to a shop. During the conversion the shop will continue to operate in its current location and pay rent for that period.

## **2. Stogumber and the Shop**

Stogumber Shop and Post Office primarily serves the rural west Somerset village of Stogumber, as well as nearby hamlets and villages without shops or Post Offices. It is the only shop in the village and parish (aside from a lampshade and furnishings shop that is expected to soon close).

Stogumber village has a population of 424:

- 144 residents (34%) are aged over 65 years  
*incl 32 (7%) residents aged over 80 years*
- 100 residents (23%) are disabled (under Equality Act)  
*plus 46 residents (11%) have a long term physical or mental health condition but day-to-day activities are not limited*
- 48 residents (11%) provide 10 or more hours unpaid care per week  
*incl 29 residents (7%) who provide 35 or more hours unpaid care per week (equivalent to a full-time job)*
- 61 residents (14%) are schoolchildren or full-time students
- 68 residents (16%) are aged under 14
- The population of the whole parish is 721 and this figure excludes residents of nearby villages (eg. Monksilver) who use Stogumber Shop and Post Office as they do not have one nearer.

### **Services**

There have been shops in Stogumber over years and there has now been just a single shop, which has been on the current site for over 100 years and villagers are determined to ensure they and future generations continue to benefit from this local service. The shop is home to the post office and sells fresh and frozen food, groceries and household essentials, including tinned foods, fresh vegetables meat, dairy produce, bakery items, confectionery, drinks (soft and alcoholic), tobacco, basic medicines, stationery, newspapers and magazines. Many of the products are locally sourced and we also provide an outlet to local makers of craft items. The post office is greatly valued, especially by local businesses and village organisations, as it provides mailing and parcel despatch services and a range of financial and banking services, the nearest alternative being some 10-15 miles away in either Taunton or Minehead.. We provide a pick-up service for medical prescriptions, which is much appreciated by people with ongoing health issues. We also provide home deliveries for elderly and house-bound residents and thus provide a source of support.

The shop opens seven days a week: Monday – Friday 8am – 1pm and 5pm-7pm ; Saturday 8am- 12 noon; Sunday 8am – 11am The Post Office is open Monday - Friday 8am – 12.30pm, closing half an hour earlier on Wednesdays.

## Competitor analysis

The nearest other community shops are in Bicknoller and Crowcombe, but both these serve their local communities. If customers wanted anything more local, there are the Co-Op and Spar In Williton, a 3mile drive. Many customers use Stogumber Shop for daily needs, including newspapers, fresh products and banking. We aim to match pricing in Williton. We have formed a close relationship with the community shop at Roadwater and share experiences- we also have a contact with the new shop at Washford. Minehead is the nearest urban centre, about ten miles away, a 20-minute drive. It has a range of supermarkets, (Tesco, Morrison's, Co-op and Lidl). People in the village use these centres, as well as online shopping, for major shopping once a week or so, but appreciate Stogumber Shop for topping up in between. Older and less mobile residents use it for more of their shopping, and for people without independent transport our shop is a lifeline. As the range and competitiveness of our stock increases there is the opportunity to change the balance of purchasing in our favour.

### **3. Location Options**

Having operated the shop and post office for a year, the key strategic question is where the shop will be located long term. This is essential before we can consider any capital budget and fund raising. From discussion within the steering group and the wider community, three options have been considered. These are described more fully in this section.

#### *6 High Street (the current location)*

The shop occupies the ground floor with two storerooms at the back as well as a kitchen and staff toilet. Above the shop there is residential accommodation, suitable for a family of at least four. In addition, the residential accommodation gives access to a pleasant private garden. The building dates back mostly to the 1700s (although some parts are thought to be from 1300s). The front is grade 2 listed. The freehold is owned by Roger & Anne Howe and SCVS has agreed an interim lease to March 2028 but with a break clause on six months' notice should the shop move to an alternative location.

The building is old and needs considerable repair- notably the walls on the ground floor need re-plastering, there is no functioning heating in the entire building (other than a wood burning stove in the residential section), much of the electrics in the residential area require renewal and there is water ingress either from the roof or the adjoining property (no 4). However the greatest issue is there is no separate access to the residential area other than via the shop. After much consideration, (other than buying the freehold and not using upstairs), a solution would be to acquire No 4 High Street and combine the buildings with a stair way up from no 4. This would allow the development of at least two flats available for letting as well as freeing up the garden to be available as part of a tea room. Whilst the skills exist within the village to manage such a project, it would require considerable capital and has therefore been considered too risky

### Tithe Barn

The old tithe barn, dating from the 13th century, on Station Road and behind the church is owned by the Hayes Family. In principle, this site would be available for a shop as a freehold. It would come with parking for 4 cars and would be an easier location for deliveries. The barn is listed grade 2\*. The concept would be to build a free-standing timber building within the barn, thus not affecting the external look. Whilst there is electricity, full plumbing including waste management would need to be introduced. Having scoped the works and acquisition cost, the total cost would be over £550k. Given an alternative at No 4 at £350k, this option, although operationally attractive has been rejected on cost grounds.

### No 4 High Street

This is a simple two story building. The aim would be to clear as much as possible of the ground floor to a shop and to re-locate the stairs such that they then fit to a newly constructed store room at the back. Pre-planning has been sought and a purchase price agreed of £180k. Capital costs for the conversion are estimated at £120k and in addition there will be costs of at least £20k to move the Post Office.

## **4. Shop Operating Plan**

The shop has been operating for just under a year which provides support to the operating financial projections. During that period, the steering committee has identified a number of potential improvements to lead to increased profitability:

- An epos till (planned for summer 2024) should provide:
  - Fewer till errors (of which there have been many manual errors)
  - Greater control on stock ordering through better management information
  - More timely margin analysis
- Improved buying margin by consolidating around one wholesaler. Our achieved margin of around 20% should improve to more consistent levels of 20% on ambient goods and 30% on long shelf life
- Improved ranging and display should increase turnover as we better understand customer needs

The operating financial forecasts have been prepared by considering the first year's trade without any improvements to either turnover or gross margin. The achieved gross margin by department has been calculated simply by looking at the actual supplier costs incurred relative to the Vat exclusive sales.

The draft accounts for 2023/4 shows a small profit of £2500. A pro forma for future years has also been prepared. This varies from 2023/4 in three major respects:

- The absence of rent once a freehold has been acquired.
- A modest uplift in turnover from improved marketing
- A temporary increase in wages to allow more attention to ranging and ordering

This pro-forma shows a profit of approximately £5000. It is expected that this can be improved upon essentially by more consistent use by the village of the shop leading to improved turnover and by continual focus on margin. So, for example, a 10% increase in turnover would yield additional profit of £2800, which is not unrealistic.

The forecasts are attached at appendix 1

## **5. Capital Plans**

Appendix 2 shows the detailed project plan, together with a 3 year cash flow statement. The total costs of the move are £350k:

Purchase £180k  
 Build £120k  
 Move Post Office £20k  
 Fit out £20k  
 Costs and misc £10k

## **6. Funding Plan**

The total costs of the project are estimated at £350k. The principal sources of funds are intended as grants ,at least £75k from a community share offer by the CBS, supplemented by loans from within the community .

Originally, we had planned to apply to the Community Ownership Fund (the Government’s ‘levelling-up fund’) with the support of the Plunkett Foundation, and we were told we have a strong case. However the programme has been frozen by the election and there is no certainty that the programme will be maintained by an incoming government. So we can’t hang around, having agreed a purchase of No 4. We will also make other grant applications such as the National Lottery, EDF and the Fairfield Charitable Trust, but these will take time and the amounts will be uncertain. We need to raise enough to buy No 4 and then carry out works as funding becomes clearer.

We need to raise as much as we can and at least £75,000 in order to be credible to grant bodies for their match-funding requirements.

In parallel to the grant application process, discussion will take place with selected individuals within the village to underwrite subsequent grant applications should the initial application be unsuccessful. There are a number of options available as listed by the Plunkett Foundation.

In any event the purchase will not proceed without full funding being available. In the final case we can continue to operate from the current site until 2028.

## **7. Management and governance**

SCVS is co-ordinated by a management committee (which will be formally elected after the initial share offer). The committee meets approximately every six weeks and is organised around a standard retail management structure (operations, buying and finance) for operational matters and separately for project and property matters. Stogumber is fortunate to have within it a range of relevant skills from residents who are willing to provide their time and skills. The initial members (with their role and details of their experience) are:

**Dr Lance Moir (Chair and overall project lead).** Lance has over 40 years senior business experience, including being a Corporate Treasurer (FCT) and CFO and Non Executive Director of a number of businesses. His relevant experience includes:

**Finance:** He was formerly a Senior Lecturer in Finance at Cranfield School of Management (where he taught Finance and Strategy to MBAs and senior executives from industry). He has been the CFO of two listed businesses, he was the Group Treasurer of Storehouse PLC (which owned BHS, Habitat, Mothercare, Richards, Heals, Jacadi and The Conran Shop).

**Retail:** As above he was Group Treasurer of Storehouse. He is also a Non Executive Director of Thatcher's Cider and of Nightcap PLC (which operates 46 bars) and was Director of Corporate Finance at Bass PLC which all have significant retail interfaces

**Project and Property Management:** His various corporate roles have included many complex projects and these include as a Director of Oppidan Estates (a property development business).

**Leadership:** At Cranfield and elsewhere he has taught leadership of teams and as Chair and Director of various businesses, has led complex teams. He is also Treasurer of the Royal Bath & West Society where he has gained an understanding of leading teams of volunteers.

Under a separate Post Office Agreement, the Postmaster is Lance Moir operating on behalf of SCVS.

**Sheila Gibbs (Operations).** From 2004 to 2020, Sheila set-up and managed a nine-bedroom guest house, including a licensed restaurant and tea garden, employing and training staff in food hygiene, customer relations, waitressing, room service and some cooking. Sheila previously set-up and managed for 17 years a registered care home for the elderly in a grade 2 listed building, employing and training 20 staff and became an assessor for NVQ levels 2 and 3 in care, food hygiene, health and safety and fire hazard analysis.

For both the guest house and care home, Sheila managed the business aspects, ran the payroll and compliance with employment and other regulations.

Sheila trained as a State Registered Nurse and worked as staff nurse then as sister, and whilst working and raising a family on the family farm, she also attended Cannington Agricultural College to study farm management and accounting.

Since retiring from the guest house business, Sheila has been active in community groups, running a community lunch scheme and catering for large village events, as well as overseeing staff operations at Stogumber Shop.

**Jerry Pattision (Buying).** Jerry's early career was in the dairy industry providing experience of retailing a large range of perishable products. More recently he owned a free house pub business for six years and was responsible for all food and drink purchases as well negotiating pricing with breweries and distributors. He spent eighteen months working one day a week with the previous owner of Stogumber Shop, allowing him to understand the business and the buying habits and demands of our customers. He currently works for a farm which grows and sells a wide range of vegetables and this ensures he has continued commercial experience of food production and retailing.

**Nicholas Browne (Building design).** Nick is a qualified architect (MA dipArch RIBA studied at Heatherly School of Art and Cambridge University) and has designed large-scale housing, university halls of residence, head offices, crematoria, shops and a war memorial. Nick has taught, lectured, run undergraduate and diploma courses, examined for the RIBA at Metropolitan University, and been published in the Architects Journal; The Financial Times; Blueprint; RIBA Journal; The Daily Telegraph.

**Lucy Bateman (Finance)** Lucy has worked in management and administration during her forty year career, from creating and developing the music department for Andrew Lloyd Webber's company The Really Useful Group, to Managing Director of a sound design company, to supervising rehearsal schedules for artists, choirs and orchestras in theatre, television and radio, as well as producing records around the globe.

In recent years Lucy has owned and run her own restaurant in Wiltshire, worked as an estate agent and valuer in Bath and in the last ten years to her retirement supervised a team of child psychiatrists and set up a social enterprise in the West country.

Her role is to interface with the paid accountants and track and bank cash as well as manage supplier payments.

**Julian Spicer (Communications, Projects and has a regular shop shift)**

Currently he is Churchwarden of Stogumber, leading the fundraising, maintenance and operations of a large Grade 1 listed building. As Chairman of Stogumber Parish Council (2009-17, and Councillor from 2007) he led the procurement of land to provide community facilities; development and adoption of a statutory neighbourhood plan; rescuing a failing playground charity; in addition to usual council activity.

In his (paid) working life, he was a Business Change Manager at the University of the West of England, project managing organisation change (structure and roles) projects, and contributing communications and employee engagement activity to large IT procurement and implementation projects, and before that he was an Admissions Manager. Julian's early career was in international product development at HBOS.

**Russ Sandy (Post Office)** Russ has served in the British Army and previously worked in telecommunications and construction. He is now employed as our Post Office clerk and also manages aspects of the shop's ordering and daily operations.

### **Governance**

**Membership** of SCVS is open to those resident (or formerly resident) in Stogumber and who have subscribed at least £100 in a share offer. As a community benefit society, there is one vote per member, irrespective of the amount subscribed. The following matters are reserved to General Meeting:

**The committee** takes key decisions and sets the strategy for range and pricing policy. The following matters are reserved to the committee:

Individual capital expenditure in excess of £2000

Discipline and grievance issues

Review of procedures

Bank signatories (at this point Lance Moir, Lucy Bateman and Mary Scott) – for practical reasons we operate a single signatory policy.

Proposals for repayment of shares, loans and changes to interest

The committee receives financial updates quarterly including profit and loss and cash positions.

In between meetings, operational decisions are referred to the Head of Ops and Buying Issues to the Head of Buying or, in their absence, the Chair.

## **8. Risk Analysis**



Appendix 3 shows a risk register for the shop and includes mitigation measures

## Appendix 1

P&L annual				
Sales		145251.8		
COGS		116201.4		
GP		29050.36		
Post Office		8309		
Total Income		37359.36		
Staff Costs		19000		
Insurance		2500		
Electricity		4800		
Water		180		
Bank		960		
Credit Card		1100		
Accountants		3300		
Misc		600		
Total costs		32440		
Profit		4919.36		

**Appendix 2**

TRADING	2024												2025												2026		
	april	May	june	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	april	May	june	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar			
B/fwd	2887	3402	4279	5338	6251	5157	5644	5811	5813	6092	6080	5784	3025	2784	3183	3774	4295	4849	5721	6756	7619	8772	9621	10170			
Sales	10316	11984	13126	12740	12842	12072	12172	12184	13095	11007	11198	12000	10831.8	12583.2	13782.3	13377	13484.1	12675.6	12780.6	12793.2	13749.75	11557.35	11757.9	12600			
Less COGS	-8253	-9587	-10501	-10192	-10274	-9658	-9738	-9747	-10476	-8806	-8958	-9600	-8665	-10067	-11026	-10702	-10787	-10140	-10224	-10235	-11000	-9246	-9406	-10080			
Post office income	647	675	629	640	651	1108	767	600	695	822	499	576	679.35	708.75	660.45	672	683.55	1163.4	805.35	630	729.75	863.1	523.95	604.8			
<b>TOTAL IN</b>	2710	3072	3254	3188	3219	3522	3201	3037	3314	3023	2739	2976	2846	3225	3417	3347	3380	3699	3361	3189	3480	3175	2876	3125			
<b>OUT</b>																											
Wages	1282	1282	1282	1282	1282	1282	1282	1282	1282	1282	1282	1282	1333.28	1333.28	1333.28	1333.28	1333.28	1333.28	1333.28	1333.28	1333.28	1333.28	1333.28	1333.28			
Rent					38.54	500	500	500	500	500	500	500	500	500	500	500	500	500									
Insurance No 6																											
Insurance No 4					2000																			2700			
Electricity	440	440	440	440	440	700	700	700	700	700	700	700	700	440	440	440	440	440	440	440	440	440	440	440			
Water	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13			
Bank charges				80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80			
Credit card charges	135	135	135	135	135	135	135	135	135	135	135	135	135	135	135	135	135	135	135	135	135	135	135	135			
Accountants	275	275	275	275	275	275	275	275	275	275	275	275	275	275	275	275	275	275	275	275	275	275	275	275			
Misc	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50			
<b>TOTAL OUT</b>	2195	2195	2195	2275	4313.54	3035	3035	3035	3035	3035	3035	5735	3086.28	2826.28	2826.28	2826.28	2826.28	2826.28	2326.28	2326.28	2326.28	2326.28	2326.28	5026.28			
Net movement	515	877	1059	913	-1094	487	166	2	279	-12	-296	-2759	-241	399	591	521	554	872	1035	862	1153	848	549	-1901			
C/fwd	3402	4279	5338	6251	5157	5644	5811	5813	6092	6080	5784	3025	2784	3183	3774	4295	4849	5721	6756	7619	8772	9621	10170	8268			
<b>CAPITAL</b>																											
Survey	2100																										
Capital Grants						250000																					
Share Subscription						50000																					
Revenue grant							50000																				
Director Loan	1500																										
Donations		2000																									
<b>Total IN</b>	1500	2000	0	0	0	300000	50000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
Purchase						180000																					
Stamp Duty						600																					
Legals						3000																					
Building							30000	30000	30000	30000																	
Post office											20000																
Refit costs								10000		15000																	
New freezer																											
Till	1800																										
Director loan repaid							4000																				
<b>TOTAL OUT</b>	1800	0	0	0	0	183600	34000	40000	30000	45000	20000	0	0	0	0	0	0	0	0	0	0	0	0	0			
<b>Net Capital</b>	-300	2000	0	0	0	116400	16000	-40000	-30000	-45000	-20000	0	0	0	0	0	0	0	0	0	0	0	0				
<b>Total position</b>	3102	5979	7038	7951	6857	123744	139911	99913	70192	25180	4884	2125	1884	2283	2874	3395	3949	4821	5856	6719	7872	8721	9270	7368			

Appendix 3

<https://www.dropbox.com/scl/fi/zfb9gieb2unlqkrvalljc/risk-register.xlsx?rlkey=ixtnhu305u818uvu1cgox6sh2&st=y50cgw1v&dl=0>